



Sephaku Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2005/003306/06)
Share code: SEP
ISIN: ZAE000138459

**Unaudited interim financial results for the six months ended 30 September 2016 and
change in board of directors**

CEMENT increases revenue and Métier begins construction of 12th batch plant in Gauteng

Sephaku Holdings Limited ("SepHold" or "the Company") hereby announces the group's unaudited financial results for the six months ended 30 September 2016. SepHold, Métier Mixed Concrete Proprietary Limited ("Métier" or "the subsidiary") and Dangote Cement South Africa Proprietary Limited ("CEMENT" or "the associate") are collectively referred to as the group.

Highlights

- Métier EBITDA and EBIT margins remained flat at 15% and 13% respectively in spite of intensifying competition in both Gauteng and KwaZulu Natal ("KZN")
- CEMENT equity accounted profit at approximately R1,0 million compared to a loss of R8,8 million recorded for the six months ended 30 June 2016¹
- Group net profit increased by 36% to R25,2 million from R18,5 million in the comparative period ended 30 September 2015
- Basic earnings per share increased by 36% to 12.49 cents from 9.20 cents
- Net asset value increased by 8% from 430,1 cents per share in the period ended 30 September 2015 to 463,0 cents per share

Post period

Following the results announcement by Dangote Cement PLC on 27 October 2016, for the nine months ended 30 September 2016, CEMENT recorded a cumulative EBITDA margin of 24,6% (2015: 22,8%) and revenue of approximately R1,7 billion. CEMENT's third quarter results will be included in the SepHold final audited financial results for the twelve months ending 31 March 2017¹.

¹ CEMENT has a December year-end as a subsidiary of Dangote Cement PLC

Financial review

The group recorded revenue of R447,95 million compared to R461,37 million for the previous interim period. The 3% decline in revenue was mainly due to a reduction in mixed concrete volumes during the six months. Métier's gross profit margin was 0,3% lower at R180,59 million as a result of raw material costs increasing more than pricing. Métier management focussed on controlling expenses to support profitability and maintained the EBITDA margin at 15%. Furthermore the subsidiary recorded EBIT of R56,98 million (13%) compared to R59,83 million (13%) for the comparative interim period. The group net profit for the period was R25,25 million compared to the R18,51 million profit recorded in the comparative period. The group EBIT was R48,63 million (2015: R42,70 million).

SepHold's 36% interest in CEMENT operations for the interim period January 2016 to June 2016 resulted in an equity accounted profit of R0,97 million compared to the loss of R8,78 million for the period ended June 2015. CEMENT's revenue increased by 13% to R1,15 billion from R1,01 billion with a net profit of R2,68 million. The sales volumes increased by 18% but the price per tonne decreased by 2,7% year on year. In the six months from January 2016 to June 2016 the average pricing decreased by 2%. The entry of the new producer in January 2016 intensified competition resulting in lower prices and margins. Therefore the associate recorded EBITDA margin of 19% compared to 21% in the comparative period. CEMENT continued to operate at steady state capacity utilisation of approximately 80% in the interim period.

CEMENT pursued the optimisation programme to improve margins in the interim period. Minor capital expenditure of between R12 million to R16 million is required on the plant to achieve the targeted raw materials efficiency. Although the programme has not yet yielded the expected results, the associate is still targeting a 5-7% EBITDA increase for the foreseeable future.

Following the Dangote Cement PLC results released on 27 October 2016 for the nine months ended 30 September 2016, CEMENT recorded EBITDA of R423,52 million (24,6%) and revenue of R1,72 billion compared to R378,22 million (22,8%) and R1,66 billion respectively, for the period ended September 2015. The associate's improved margin was mainly due to a once – off R124,27 million income as a result of a settlement agreement with Sinoma on the final handover of the plants. In the third quarter, which is not accounted for in the current interim reporting period, the associate recorded revenue of R574,89 million (2015: R648,08 million) for the three months ending September 2016. The decline in revenue was as a result of reduced quarterly volumes caused by CEMENT taking the lead on implementing price increases in mid – July. All the cement producers implemented price increases during the third quarter. Due to the staggered manner in which these increases were implemented by the producers, the full impact is anticipated in the fourth quarter results for the period ended 31 December 2016.

Summary comparison of earnings

	2016	2015	Change
Métier net profit	33 671	34 819	↓ 3.3%
SepHold expenses	(9 375)	(8 442)	↑ 11.1%
CEMENT 36% equity profit/(loss)	966	(8 783)	↑ 110.9%
GROUP	25 248	18 511	↑ 36.4%

Operational review

Métier

The mixed concrete supply market continued to be characterised by intense competition and downward pricing pressure. Métier observed an increased number of new entrants in the period under review in both Gauteng and KZN. The subsidiary successfully extended a major supply contract by a further three years which has contributed to volumes. Construction of the 12th batch plant commenced in Gauteng and is targeted to start production in March 2017. Métier continues to focus on maintaining its revenue and profitability. The subsidiary's medium term goals are to commission the 12th batch plant and to enhance market penetration.

CEMENT

The associate continued to pursue the optimisation programme and increased the production capacity to 2,8 million tonnes per annum. The progress update on the four components of the programme is as follows:

1. Logistics – a plan to rationalise logistics is well advanced with the benefit expected in first quarter of 2017.
2. Sales - the sales strategy and action plans to optimise the different market segments has been finalised and the benefit is expected to materialise by June 2017
3. Raw materials – the anticipated results from the replacement materials were not achieved due to challenges encountered in the initial production trials. A plant process design limitation was identified which will be rectified by the capex stated above of R12 million to R16 million. The benefit of this component is targeted for the third quarter 2017.
4. Production – production efficiency has been impacted by the lower than expected performance of particular components that have reduced plant reliability. Management continues to assess the plant and is confident that the issues will be resolved.

The cement market continued to be characterised by price competition but appears to be stabilising following the implementation of price increases by all producers in the third quarter. The bagged cement market continues to perform better than that of bulk cement as the large construction projects dwindle.

The imports have significantly declined on a year on year basis, particularly from Pakistan. By the end of June 2016 approximately 156kt had been imported compared to 500kt in the comparative period with 75% of the volume from China. In the short to medium term, CEMENT will focus on achieving higher prices and quality earnings.

Group

The group continued to assess growth opportunities and is currently focussed on developing an aggregate business. The group is exploring a greenfield quarry asset which when operational will supply into the ready mixed concrete, asphalt and building industries.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS
for the six months ended 30 September 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2016 Unaudited R'000	30 September 2015 Unaudited R'000	31 March 2016 Audited R'000
Assets			
Non-current assets	1 084 416	999 867	1 035 526
Current assets	176 967	234 522	227 435
Total assets	1 261 383	1 234 389	1 262 961
Equity and liabilities			
Equity attributable to equity holders of the parent	939 822	865 415	910 592
Non-current liabilities	233 736	253 701	249 155
Current liabilities	87 825	115 273	103 214
Total liabilities	321 561	368 974	352 369
Total equity and liabilities	1 261 383	1 234 389	1 262 961
Net asset value per share (cents)	463,04	430,07	450,99
Tangible net asset value per share (cents)	350,92	315,76	337,68
Ordinary shares in issue	202 969 487	201 224 508	201 908 654

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2016 Unaudited R'000	6 months ended 30 September 2015 Unaudited R'000	12 months ended 31 March 2016 Audited R'000
Revenue	447 945	461 370	874 253
Cost of sales	(267 345)	(274 101)	(523 460)
Gross profit	180 600	187 269	350 793
Other income	10 637	6 112	15 593
Operating expenses	(143 573)	(141 899)	(282 137)
Operating profit	47 664	51 482	84 249
Investment income	3 445	3 243	8 127
Profit / (loss) from equity accounted investments	966	(8 783)	18 154
Finance costs	(14 126)	(14 261)	(28 271)
Profit before taxation	37 949	31 681	82 259
Taxation	(12 701)	(13 170)	(21 839)
Profit for the period	25 248	18 511	60 420
Total comprehensive income for the period	25 248	18 511	60 420
Basic earnings per share (cents)	12,49	9,20	30,00
Diluted earnings per share (cents)	12,41	8,87	28,97
Headline earnings per share (cents)	12,36	9,12	29,84

Diluted headline earnings per share (cents)	12,28	8,79	28,82
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Reconciliation of basic earnings to diluted earnings and headline earnings:

Basic earnings and diluted earnings from total operations attributable to equity holders of the parent	25 248	18 511	60 420
(Profit)/loss on sale of non-current assets	(374)	(216)	(431)
Total taxation effect of adjustments	105	61	121
Headline earnings attributable to equity holders of the parent	24 979	18 356	60 110

Reconciliation of weighted average number of shares:

Basic weighted average number of shares	202 080 131	201 224 508	201 426 940
Diluted effect of share options	1 304 252	7 522 096	7 139 452
Contingent issuable shares	-	-	-
Diluted weighted average number of shares	203 384 383	208 746 604	208 566 392

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 September 2016 Unaudited R'000	6 months ended 30 September 2015 Unaudited R'000	12months ended 31 March 2016 Audited R'000
Cash flows from operating activities			
Cash generated from operations	56 299	50 883	117 037
Interest income	4 057	3 243	8 127
Finance costs	(14 315)	(13 838)	(28 271)
Taxation paid	(11 728)	(9 541)	(18 422)
Net cash from operating activities	34 313	30 747	78 471
Cash flows from investing activities			
Purchase of property, plant and equipment	(14 191)	(10 729)	(36 589)
Disposal of property, plant and equipment	1 070	550	1 000
Net loans advanced	1 158	856	514
Investment in associate	(48 572)	-	-
Government grant received	556	-	-
Net cash (utilised in) investing activities	(59 979)	(9 323)	(35 075)

Cash flows from financing activities

Proceeds on share issue	2 453	-	825
Proceeds from other financial liabilities		-	28 238
Repayment of other financial liabilities	(29 200)	(12 500)	(52 142)
Increase in loans with group companies	(517)	-	-
Net cash (utilised in) financing activities	(27 264)	(12 500)	(23 079)
Total cash movement for the period	(52 930)	8 924	20 317
Cash at beginning of period	91 231	70 914	70 914
Cash at end of period	38 301	79 838	91 231

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total share capital R'000	Total Reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 31 March 2015 - Audited	631 127	15 685	197 907	844 720
Total comprehensive loss for the period	-	-	18 511	18 511
Issue of shares	-	-	-	-
Employees' share option scheme	-	2 138	47	2 184
Balance at 30 September 2015 - Unaudited	631 127	17 823	216 465	865 415
Total comprehensive income for the period	-	-	41 910	41 910
Issue of shares	1 823	-	-	1 823
Employees' share option scheme	-	1 088	356	1 444
Balance at 31 March 2016 - Audited	632 950	18 911	258 731	910 592
Total comprehensive income for the period	-	-	25 248	25 248
Issue of shares	2 453	-	-	2 453
Employees' share option scheme	-	(189)	1 718	1 529
Balance at 30 September 2016 - Unaudited	635 403	18 722	285 697	939 822

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

Segment information

The segments identified are based on the operational and financial information reviewed by management for performance assessment and resource allocation. There has been no change in the basis of operational segmentation or in the basis of measurement of segment profit or loss since the 2016 annual financial statements.

	Ready-mixed concrete	Head office and consolidation	Group totals
	R'000	R'000	R'000
for the 6 months ended 30 September 2016 – Unaudited			
Segment revenue - external revenue	447 945	-	447 945
Segment cost of sales	(267 345)	-	(267 345)
Segment expenses	(134 198)	(9 375)	(143 573)
Profit from equity-accounted investment	-	966	966
Segment profit/(loss) after taxation	33 671	(8 423)	25 248
Taxation	(13 183)	482	(12 701)
Interest received	3 388	57	3 445
Interest paid	(14 126)	-	(14 126)
Depreciation and amortisation	(12 392)	(1 755)	(14 147)
Segment assets	415 396	845 987	1 261 383
Investment in associate included in the above total segment assets	-	720 005	720 005
Capital expenditure included in segment assets	13 822	369	14 191
Segment liabilities	(318 404)	(3 157)	(321 561)
for the 6 months ended 30 September 2015 – Unaudited			
Segment revenue - external revenue	461 370	-	461 370
Segment cost of sales	(274 101)	-	(274 101)
Segment expenses	(133 457)	(8 442)	(141 899)
Loss from equity-accounted investment	-	(8 783)	(8 783)
Segment profit/(loss) after taxation	34 819	(16 308)	18 511
Taxation	(13 652)	482	(13 170)
Interest received	2 897	346	3 243
Interest paid	(14 260)	(1)	(14 261)
Depreciation and amortisation	(15 417)	(1748)	(17165)
Segment assets	455 738	778 651	1 234 389
Investment in associate included in the above total segment assets	-	643 530	643 530
Capital expenditure included in segment assets	10 693	36	10 729
Segment liabilities	(365 834)	(3 140)	(368 974)

The only commodity actively managed by Métier is ready-mixed concrete. The group does not rely on any single external customer or group of entities under common control for 10% or more of the group's revenue as disclosed in the interim financial results. CEMENT is an associate of SepHold. No segment report has been presented for CEMENT as the amounts attributable to CEMENT have been included in the "head office segment".

Basis of preparation

The condensed consolidated interim financial results for the six months ended 30 September 2016 ("interim reporting period") have been prepared in accordance with IAS 34: Interim Financial Reporting, the requirements of the JSE Limited Listings Requirements, the Companies Act, 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The interim financial results are prepared in accordance with International Financial Reporting Standards ("IFRS").

The results have been prepared on a historical cost basis, except for the measurement of land at revalued amounts. Construction of the new building was only completed after the 2016 year-end. The fair value and useful life of this asset will be assessed at the 2017 year-end.

The accounting policies for the interim reporting period are consistent with those applied in the annual financial statements for the group for the year ended 31 March 2016.

The preparation of the interim financial results has been supervised by NR Crafford-Lazarus CA (SA).

The financial information on which these interim period results are based has not been reviewed or reported on by the group's auditors.

Statement of going concern

The interim financial results have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Stated capital

There were no changes to the authorised stated capital of the company during the interim reporting period under review.

A total number of 1 060 833 shares issued during the interim period for a cash amount of R2 453 032 relates to share options that were exercised by employees.

All the authorised and issued shares have no par value.

Events after the interim reporting period

The directors are not aware of any material fact or circumstance arising between the end of the interim reporting period and the date of this report that would require adjustments to or disclosure in the interim financial results.

Changes to the board

MG Mahlare resigned as independent non-executive director with effect from 22 September 2016, and MJ Janse van Rensburg was appointed as Independent non-executive director of SepHold on 22 September 2016. The board extends a grateful farewell to Gustav whose invaluable contribution to the success of the group is acknowledged. He effectively led as the head of audit committee by ensuring that the group not only complied with all regulatory requirements but applied best practice.

Following the appointment of Jurgens du Toit as the managing director of Métier who has successfully headed the subsidiary during the interim period, Kenneth Capes has resigned as a member of the Métier board with effect 9 November 2016. Kenneth will dedicate his efforts to achieving the SepHold business development targets which include the establishment of an aggregates business in the Group. Further update regarding this expansion opportunity will be announced as soon as material milestones have been achieved.

In pursuance of its commitment to gender and skills diversity, the Board appointed Ms Basani Maluleke as an independent non-executive director effective 9 November 2016. Basani is a director of Transcend Capital (Pty) Limited, a boutique corporate finance firm specialising on B-BBEE ownership advisory for multinationals. She has over ten years of financial services experience in the areas of corporate finance, private banking and private equity. She was admitted as an attorney of the High Court after serving articles at Edward Nathan and Friedland (now Edward Nathan Sonnenbergs). She holds a B.Com (Accounting) and LL.B degrees from the University of Cape Town as well as an MBA from the Kellogg School of Management at Northwestern University. Basani is a fellow of the African Leadership Initiative and the Aspen Global Leadership Network.

Change to the Company Secretary

There were no changes to the Company Secretary during the interim reporting period under review.

Company information

Directors

B Williams° (chairman)

MJ Janse van Rensburg°

PM Makwana°

MM Ngoasheng°

J Pitt° ~

Dr L Mohuba* (chief executive officer)

NR Crafford-Lazarus* (financial director)

RR Matjiu*

KJ Capes*

PF Fourie^

**Executive °Independent ~Alternate ^Non executive*

Company secretary

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Transfer secretaries

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JSE sponsor

Questco Proprietary Limited

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Investor presentation webcast and conference call

A presentation audio webcast and conference call for analysts will be held on Thursday, 10 November 2016 at 1000hs CAT. The results presentation can also be downloaded from the Company website www.sephakuholdings.com.

Webcast link: <http://themediiframe.eu/links/sephold161110.html>

Conference live call access numbers for participants

Other Countries - International	+27 11 535 3600
Other Countries - International	+27 10 201 6800
South Africa - Cape Town	021 819 0900
South Africa - Durban	031 812 7600
South Africa - Johannesburg Telkom	011 535 3600

South Africa - Johannesburg Neotel 010 201 6800

Playback Access Numbers - Playback Code: 54038

Other Countries - International +27 11 305 2030

South Africa 011 305 2030

On behalf of the board

Pretoria

Chief executive officer

Dr. Lelau Mohuba

10 November 2016

Financial director

Neil Crafford Lazarus

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Sponsor to Sephaku Holdings: Questco (Pty) Ltd

About Sephaku Holdings Limited

Sephaku Holdings Limited is a building and construction materials company with a portfolio of investments in the cement sector in South Africa. The company's core investments are a 36% stake in Dangote Cement SA (Pty) Ltd and 100% in Métier Mixed Concrete (Pty) Ltd. SepHold's strategy is to generate growth and realise value for shareholders through the production of cement and ready mixed concrete in Southern Africa.

www.sephakuholdings.com